

Project Title	2012 Agency Priority Ranking	Agency Project Request for State Funds (\$ by Session)				Governor's Recommendations	Governor's Planning Estimate	
		2012	2014	2016	Total		2012	2014
Rural Finance Authority Loans	1	\$33,000	\$0	\$0	\$33,000	\$33,000	\$0	\$0
Emergency Power Supply for MDA/MDH Labs	2	706	0	0	706	706	0	0
Total Project Requests		\$33,706	\$0	\$0	\$33,706	\$33,706	\$0	\$0

### Agency Profile At A Glance

#### Protection Services

- Dairy and food activities such as regulatory inspections and enforcement, surveillance sampling, special investigations, consumer protection, and educational outreach.
- Pesticide and fertilizer management activities such as regulation, water quality protection, research, emergency response and remediation.
- Plant protection activities such as inspection, pest exclusion, certification and auditing.
- Laboratory services such as biological, chemical and toxicological analyses and scientific consulting.

#### Ag Marketing & Development

- Ag marketing services such as domestic and international market research, commodities promotion, licensing of livestock purchasers, profitability assistance for dairy producers, development assistance for biofuels initiatives and management of the Minnesota Grown Program
- Ag development activities such as research projects, technical assistance, financial assistance, and promotion of entrepreneurial and value-added agricultural activities.

#### Assistance Program and Agency-level Leadership

- Legislatively directed grant and assistance programs such as ethanol producer payments, NextGen energy grants and aid to county fairs and other agricultural societies.
- Outreach to ag industries and consumers.
- Coordination of activities within MDA and with other agencies and organizations.

### Agency Purpose

The mission of the Minnesota Department of Agriculture (MDA) is to enhance Minnesotans' quality of life by ensuring the integrity of our food supply, the health of our environment, and the strength of our agricultural economy. MDA activities help ensure that Minnesota agricultural activities are orderly,

safe, and competitive. The importance of this mission is underscored by the following facts:

- More than half of the state's total land area is farmland.
- Agriculture and its related industries make up the state's second largest economic sector, accounting for about 15% of all Minnesota jobs.
- More than 80% of all agricultural jobs are off-farm: in processing, distribution, supply, and service activities.
- Minnesota's agricultural exports bring in nearly \$4 billion to the state each year, ranking sixth in the nation. The state ranks first in turkey exports and in the top ten in milk, soybeans, pork and many other commodities.

### Strategies

From the farm to your family, the MDA ensures that Minnesota agricultural products used in production or available for consumption meet or exceed regulatory standards. These standards are set by state and federal laws that ensure the quality of products and the safety of food. To accomplish its mission, the department utilizes the following two strategies:

To ensure the safety and integrity of products, the department **conducts onsite inspections throughout the state**. The department's main offices are in Saint Paul. However, since most of the regulatory and promotion services it provides require face to face contact with our farmers, producers, and consumers, almost half of its staff are scattered throughout the state in the areas they serve. Inspectors are responsible for on-site inspections of facilities. These inspections ensure that the agricultural products and processes meet applicable standards for quality and integrity. For example, the fertilizer used on lawns must meet quality standards just as the fertilizer used in production agriculture. Milk is also inspected at many points, from the farm, to the milk plant, to the supermarkets. Sustainable agricultural practices, such as biological control of weeds and pests, benefit not only the farmers but the consumers in urban shopping malls as well.

The department also aims to strengthen the agricultural economy by **helping farmers and agribusinesses market their products in an increasingly competitive global marketplace**. Since Minnesota produces more food and agricultural products than its citizens can consume, it must focus on marketing strategies that encourage exports to other states and countries.

The MDA plays a lead role in helping the state's farmers and agricultural businesses build trade relationships with potential customers in other states and countries. The MDA encourages value-added activities and the development of new domestic markets for existing agriculture products, and it works with other state offices to stimulate international exports of Minnesota-grown agricultural products.

### Operations

The **Protection Services Program** provides regulatory oversight for agricultural products from the farm to retail stores. Many of these regulatory activities touch consumers' everyday lives. For example, the MDA protects consumers by inspecting food and dairy products, dairy farms, food processing facilities, grocery stores, and even food stands at the Minnesota State Fair. The MDA also regulates, inspects and analyzes animal feed, fertilizers and pesticides; it performs laboratory analysis on food products and inspects fresh produce moving into or out of Minnesota. The MDA helps protect the environment by monitoring surface and ground water for possible contaminants and by preventing the establishment of destructive tree and plant pests such as gypsy moths.

The **Agricultural Marketing and Development Program** helps sustain and enhance farmers' economic and environmental well-being through a number of services. The program develops and tests new farming practices that help minimize environmental impacts, educates farmers about these practices and encourages their implementation with education and technical assistance. The program also helps the state's agricultural community expand existing markets and develop new markets for Minnesota agricultural products. This includes developing international trade opportunities, promoting a program to encourage consumers to buy locally-grown food, and encouraging value-added activities.

The **Administrative Services Program** provides leadership and administrative support to the agency, gathers important statistical information for the farm sector, and offers grants and assistance to individuals and organizations. This program provides overall leadership and coordination of agency efforts. It coordinates communication with internal and external stakeholders including farmers, media, and other government bodies. It provides fiscal oversight to the department and provides important

information on employment and benefits to employees. Producers use the statistical information gathered by our joint federal/state division of Ag Statistics to learn about important trends in their industry.

### Budget

The MDA budget comes from multiple sources. These sources include the state general fund for agency operations and assistance programs, dedicated revenue, loan funds, and federal funds for a variety of activities.

For fiscal year 2012, the state's general fund provides less than 40% of the agency's budget. Approximately one-third of the general fund budget is payments to ethanol producers for the final year of the ethanol producer payment program. In fiscal year 2013, the general fund portion of the agency's budget will be less than 30 percent.

Dedicated funds spent by the MDA come mostly from fee revenues, which cover the costs of services provided. Revenues into these accounts vary with economic trends, but have remained fairly steady recently. The largest recent change in dedicated funds has been the addition of roughly \$10 million per year from the Clean Water and Cultural Heritage funds, which are tax revenues dedicated by the "heritage" amendment to the State Constitution.

Federal funds, especially for programs related to food safety, currently account for roughly 10% of the agency's budget.

The agency also administers several agricultural loan programs, funded by user-financed bonds and revolving funds restricted for making loans.

### Contact

MDA's website: <http://www.mda.state.mn.us>, contains information on each of the divisions in the agency, licensing information, food recall information, and more. For more information, contact the Office of the Commissioner at 651-201-6015.

**At A Glance: Agency Long-Range Strategic Goals**

- To maintain the safety of the state's food supply.
- To protect and develop the state's agricultural resources, including the soil and water.
- To be ready to assist with emergencies involving the agricultural sector.

**Trends, Policies and Other Issues Affecting the Demand for Services, Facilities, or Capital Programs**

Employing one of every seven Minnesota workers and contributing nearly one fifth of Minnesota's total economic activity, Minnesota agriculture is dynamic and diverse. With the state's farm economy subject to international market forces, changing patterns of commerce, the influx of diseases and exotic pests, and the threat of accidental or intentional contamination of our food supply, the Minnesota Department of Agriculture (MDA) must frequently review and update the services it provides. These factors require MDA programs to be flexible and responsive to stakeholders' needs. Protection is one of MDA's core functions, and MDA's protection programs span the range of activities from the farm to your family.

Some significant issues at hand include:

***Maintaining Food Safety***

- As markets become more global, the risks of infectious diseases crossing borders and causing large-scale damage also increases. At the same time, the heightened awareness of the potential for agro-terrorism means more attention is being paid to the safety of the state's food supply. All agricultural activities may be affected, ranging from the production of inputs through production agriculture to processing and final consumption of agricultural products. The state needs to be able to analyze potential threats as they arise.

***Plant Pests and Diseases***

- Exotic and introduced plant pests and diseases are serious threats that affect both Minnesota agriculture and Minnesota's environment. These pests reduce yields, increase production costs, affect natural environments and threaten native or desirable plant and tree species. The Minnesota Department of Agriculture is responsible for managing or minimizing the impacts of established invasive or exotic plant pest species in the state, and keeping out invasive species that would be new to the state. Urban forests across the state are threatened by the encroachment of highly destructive plant pests from neighboring states, such as Emerald Ash Borers, Gypsy Moths and Brown Marmorated Stinkbugs.

**Provide a Self-Assessment of the Condition, Suitability, and Functionality of Present Facilities, Capital Projects, or Assets**

In the fall of 2005, the MDA moved into new office and laboratory facilities. These facilities are shared with the Department of Health (MDH) and provide excellent opportunities for the two agencies to improve their productivity and to work collaboratively on areas of mutual concern.

Since moving into the new buildings, some areas for improvement have been identified. Of area of concern is power supply stability for the lab building. Currently, preventative maintenance of lab power supply systems cannot be done without interfering with ongoing lab operations. More importantly, the lab building does not have emergency power backup provisions in case of a sustained power loss.

**Agency Process Used to Arrive at These Capital Requests**

All divisions of MDA were surveyed to assess pressing capital needs and opportunities where capital investment may save future expenditures. Top consideration was given to the protection of the food supply and human health. High consideration was also given to the urgency of addressing potential threats to Minnesota's agricultural activities. Based on these criteria and the specific considerations listed in each proposal, MDA requests approval of the following projects for the 2012 Capital Budget:

*Rural Finance Authority Loans.*

- This project would continue regular funding of the loan programs of the Rural Finance Authority. These loans are partnerships with local lenders to allow a lower interest rate for the borrower. The loan programs are for Beginning Farmer, Seller Assisted Beginning Farmer, Ag Improvement, Loan Restructure and Livestock Expansion activities. These are user-finances bonds. They are repaid by the loan repayments, so there is ultimately no cost to the State's General Fund.

*Emergency Power Supply for MDA/MDH Labs.*

- This project is a joint proposal between the Department of Agriculture and the Department of Health to provide a more complete emergency power system for the shared lab building. The needs addressed by this projects were identified in an engineering study commissioned by the Department of Administration after the agencies moved into the building.

**Major Capital Projects Authorized in Recent Years**

Rural Finance Authority loan programs received bonding appropriations in 2009 in the amount of \$35 million, and in 2007, in the amount of \$30 million.

In 2006, a capital bonding appropriation in the amount of \$1.5 million was authorized to construct a bio-safety level 3-agriculture laboratory in the MDA/MDH Lab Building.

**Rural Finance Authority Loans**

**2012 STATE APPROPRIATION REQUEST:** \$33,000,000

**AGENCY PROJECT PRIORITY:** 1 of 2

**PROJECT LOCATION:** Statewide

**Project At A Glance**

This proposal provides \$33 million in user-financed general obligation bonding to fund Rural Finance Authority (RFA) loan programs. The purpose of the program is to partner with agricultural lenders to provide low-cost financing to farmers on terms and conditions not otherwise available from other credit sources.

**Project Description**

This initiative grants RFA the bonding authority to fund loan activity for FY2012 and FY2013. Funds are also included for FY2014 to serve as a cushion due to unpredictable agriculture credit needs.

**How the RFA Program Works**

- The RFA partners with local lenders to provide low cost credit to eligible farmers by buying a portion of an agricultural loan.
- The RFA portion of the loan is carried at a reduced interest rate to improve the farmer's cash flow and to share the risk of making the loan with the lender.
- The reduced rate offers a cash flow advantage to eligible farmers.

**The RFA administers five loan programs funded by General Obligation (GO) Bonds**

- The RFA will purchase a forty-five percent (45%) participation in the lender's loan to an eligible farmer under the Beginning Farmer, Seller Assisted, Agriculture Improvement, Restructure II and Livestock Expansion Loan Program.
- The RFA partners with more than 400 agriculture lenders, including commercial banks and farm credit services.

**Bond Repayment**

- The sale of bonds are authorized by the RFA Board and coordinated Minnesota Management & Budget (MMB).
- Cash generated from the sale of general obligation bonds is used to purchase qualifying loans.
- The bonds are user-financed. Principal and interest payments from the loan participations are deposited into a dedicated account and then transferred to MMB to make the bond debt service payments.
- Interest rate on the RFA participation is set at a level that will generate sufficient revenue to meet overall debt service requirements.

**Impact on Agency Operating Budgets (Facilities Notes)**

Administrative costs for the RFA are included the agency's biennial operating budget.

**Previous Appropriations for this Project**

\$35 million GO bonds in 2009.

**Other Considerations**

None

**Project Contact Person**

Jim Boerboom, Deputy Commissioner

**Governor's Recommendations**

The Governor recommends user-financed general obligation bonding of \$33 million for this request.

Agriculture, Department of	Project Detail
Rural Finance Authority Loans	(\$ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	0	0	0	0	0
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O. Bonds/RFA	0	33,000	0	0	33,000
<b>State Funds Subtotal</b>	<b>0</b>	<b>33,000</b>	<b>0</b>	<b>0</b>	<b>33,000</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>33,000</b>	<b>0</b>	<b>0</b>	<b>33,000</b>

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	0	0.0%
User Financing	33000	100.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
No	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2017

**Emergency Power Supply for MDA/MDH Labs**

**2012 STATE APPROPRIATION REQUEST:** \$706,000

**AGENCY PROJECT PRIORITY:** 2 of 2

**PROJECT LOCATION:** St. Paul

**Project At A Glance**

This is a joint proposal between the Department of Agriculture and the Department of Health to provide a more complete emergency power system for the shared lab building. The project would tie existing backup systems at the Freeman and Lab Buildings together, as well as provide the capability to add an outside generator to the emergency system. This would enhance MDA's, MDH's and the Department of Administration's ability to provide increased flexibility and options for keeping critical operations running under a variety of situations, including the complete loss of external power sources for a sustained period of time.

**Project Description**

The project would allow for two distinct additions to the current Lab electrical system:

- The tying in of the existing Lab and Freeman generators by the addition of transfer switches to allow for 100% indefinite continuous back up for all Lab building systems in the case of a sustained building outage. Currently MDA/MDH and the Department of Administration are only capable of running a portion of the needed HVAC equipment and the fire, safety and life systems in case of an outage. MDA/MDH cannot run de-ionized water, clean compressed air, bench vacuum or in-house steam generation for autoclaves and sterilizers in an outage. These systems are critical for continued meaningful operations.
- Provide the addition of termination junction boxes to allow quick and efficient connection of portable emergency generators to the building substations. This guarantees continued generator operation in the case of Lab and or Freeman generator failure.

**Impact on Agency Operating Budgets (Facilities Notes)**

The project improves the current building infrastructure and would benefit the Department of Administration, the agency with custodial control, without significantly increasing existing preventive maintenance requirements. Therefore, increased maintenance costs for Administration, MDA and MDH would not be anticipated.

**Previous Appropriations for this Project**

None.

**Other Considerations**

In addition to providing for 100% emergency power back up in case of a sustained power loss, the project would provide increased flexibility in performing preventive maintenance of the existing normal power systems without interfering with critical Lab operations, guarantee the capacity for addition of future needs and add a guaranteed ability for connection to outside power generation in case of generator failure.

**Project Contact Person**

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Email: Joanne.Bartkus@state.mn.us

**Governor's Recommendations**

The Governor recommends general obligation bonding of \$706,000 for this request.



# Agriculture, Department of

## Emergency Power Supply for MDA/MDH Labs

# Project Detail

(\$ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	60	0	0	60
4. Project Management	0	0	0	0	0
5. Construction Costs	0	646	0	0	646
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>706</b>	<b>0</b>	<b>0</b>	<b>706</b>

CAPITAL FUNDING SOURCES	Prior Years	FY 2012-13	FY 2014-15	FY 2016-17	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	706	0	0	706
<b>State Funds Subtotal</b>	<b>0</b>	<b>706</b>	<b>0</b>	<b>0</b>	<b>706</b>
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>706</b>	<b>0</b>	<b>0</b>	<b>706</b>

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
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Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	706	100.0%
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Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2017